

Message Text

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C O R R E C T E D C O P Y (PARA 7)

E.O. 11652: N/A
TAGS: SENV, UNEP
SUBJ:UNEP INFORMAL CONSULTATIONS - STATUS OF ENVIRONMENT FUND

SUMMARY: THE FOLLOWING ANALYSIS OF UNEP'S RESOURCE PICTURE
HAS BEEN DEVELOPED IN ANTICIPATION OF THE INFORMAL DISCUSSIONS
IN GENEVA JANUARY 17 -19. WHILE IT IS NOT ANTICIPATED THAT
THESE DISCUSSIONS WILL GET INTO ANY GREAT DETAIL ON THESE
MATTERS IT IS CONSIDERED IMPORTANT THAT WE HAVE THIS BACKGROUND
INFORMATION AVAILABLE AS USG DECIDES, AS PERMREP ASSUMES WE
WILL, THAT WE WILL NOT MAKE A FURTHER FIVE YEAR PLEDGE TO
UNEP AND THAT INSTEAD WE WILL TIE FUTURE CONTRIBUTIONS MORE
CLOSELY TO UNEP PERFORMANCE AND IN LIGHT OF BIENNIAL PROGRAM
BUDGETING. IN SUMMARY UNEP'S PERFORMANCE TO DATE HAS BEEN
CHARACTERIZED BY SIGNIFICANT SLIPPAGE IN PERFORMANCE OF
APPROVED PROJECTS. PROGRAM SUPPORT COSTS WHICH HAVE BEEN
HELD FAIRLY STEADY BUT HAVE BEEN A RELATIVELY HIGH PROPORTION
OF FUNDS EXPENDED ARE EXPECTED TO RISE SIGNIFICANTLY
IN 1977. THIS IN THE FACE OF AN INCREASING AMOUNT
OF LARGELY UNUSABLE NON-CONVERTIBLE CURRENCIES ESTIMATED
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TO BE \$10.9 MILLION BY THE END OF 1977. END SUMMARY.
1. ON BASIS DISCUSSIONS WITH STEDMAN, AHMED AND STAFF,
PERMREP HAS DEVELOPED FOLLOWING PICTURE OF WHAT UNEP'S
RESOURCE POSITION LIKELY TO BE FOR 1977.

RESOURCES
CASH BALANCE CARRIED OVER FROM 1976 \$20.8 MILLION

VOLUNTARY CONTRIBUTION TO BE MADE DURING 1977	\$28.5 MILLION
INTEREST INCOME	1.0 MILLION
LESS FINANCIAL RESERVE	.2 MILLION
	\$50.1 MILLION

EXPENDITURES/ALLOCATION DURING 1977

FUND PROGRAM ACTIVITIES	\$29.8
PROGRAM SUPPORT COSTS	8.0
FUND PROGRAM RESERVE ACTIVITIES	1.0
	\$37.8 MILLION
RESOURCES AVAILABLE FOR NEW PROJECTS	\$12.3 MILLION
AMOUNT OF RESOURCES IN NON-CONVERTIBLE CURRENCIES	10.9 MILLION
AMOUNT AVAILABLE IN CONVERTIBLE CURRENCIES	1.4 MILLION

2. AS A RESULT OF PROJECTS ALREADY APPROVED AND DELAYS IN IMPLEMENNING THEM AND AN INCREASING ACCUMULATION OF NON-CONVERTIBLE CURRENCIES, UNEP'S USABLE INCOME FOR NEW PROJECT APPROVAL IN 1977 WILL BE ONLY IN THE NEIGHBORHOOD OF \$1 OR 2 MILLION. NOT MUCH PROSPECT IS SEEN FO UTILIZING MUCH OF THE SOME \$10.9 MILLION WORTH OF RUBIES AND OTHER NON-CONVERTIBLE CURRENCIES. THIS IS IN THE FACE OF SOME \$28.. MILLION WORTH OF NEW INCOME (\$24.5 MILLION OF WHICH WILL BE FREELY CONVERTIBLE).

3. BECAUSE OF SLOWER THAN EXPECTED PROJECT IMPLEMENTATION, PROGRAM SUPPORT COSTS HAVE BEEN A RELATIVELY HIGH UNCLASSIFIED

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PROPORTION OF TOTAL COSTS. FOR EXAMPLE, IN 1976 EXPENDITURES ON PROGRAMS ARE LIKELY TO BE \$13.5 - \$14 MILLION AND PROGRAM SUPPORT COSTS WILL BE \$5.2 MILLION. THUS FOR EACH \$2.60 SPENT ON PROGRAM, \$1 IS SPENT ON ADMINISTRATION.

4. THIS PROPOTION WILL CONTINUE TO BE HIGH FOR A NON-OPERATIONAL PROGRAM SUCH AS UNEP. A PROBLEM WHICH UNEP SHOULD ADDRES IN SOME DETAIL IS THAT OF SLIPPAGE ON PROGRAM IMPLEMENTATION. THE ORGANIZATION HAS CONSISTENTLY OVERESTIMATED THE AMOUNT OF PROGRAM ACTIVITY (EXPENDITURES) THAT WILL TAKE PLACE IN ANY GIVEN YEAR. THE RESCHEDULING OF U.S. PAYMENTS ON ITS PLEDGE WHICH WE FORMALLY NOTIFIED UNEP ABOUT IN FEBRUARY OF LAST YEAR WILL BE ASSIGNED THE CHIEF RESPONSIBILITY FOR THE SLIPPAGE IN PERFORMANCE IN '76. IN PERMREP'S VIEW, THIS WILL NOT DO. EVEN WITHOUT THE MORATORIUM ON NEW PROJECTS SLIPPAGE IN 1976 WOULD HAVE BEEN MAJOR. NEW PROJECTS DO NOT GENERATE SIGNIFICANT EXPENDITURES IN THE FIRST

YEAR OF THEIR EXISTENCE. IN THE FIRST SIX MONTHS OF '76 IN THE FACE OF UNEP'S ESTIMATE OF SOME \$14 MILLION EXPENDITURES ON PROJECTS PREVIOUSLY COMMITTED ONLY \$6 MILLION WAS ACTUALLY EXPENDED. THE DG SHOULD BE REQUESTED TO REPORT ON THE CAUSES FOR THIS SLIPPAGE TO GC/V. (IN THE FIRST FOUR YEARS OF ITS EXISTENCE, UNEP HAS COMMITTED ITSELF TO \$68.9 MILLION WORTH OF PROJECTS AND HAS ONLY EXPENDED \$32.2 MILLION ON THESE, CONSIDERABLY LESS THAN HALF).

5. WHILE SLIPPAGE ACCUMULATES AND EVEN ACCELERATES, PROGRAM SUPPORT COSTS ARE ALSO GOING UP, TO AN EXPECTED \$8 MILLION IN 1977.

6. IT IS POSSIBLE THAT UNEP WILL ACHIEVE AN EXPENDITURE LEVEL OF \$29.8 MILLION IN 1977, ALTHOUGH, ON THE BASIS OF PERFORMANCE TO DATE, IT IS MORE LIKELY THAT THERE WILL

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BE A SLIPPAGE OF UP TO \$10 MILLION. IF THAT IS THE CASE THE ORGANIZATION COULD END ITS FIRST FIVE YEARS OF EXISTENCE WITH SOME \$24 MILLION OF FORWARD COMMITMENTS (DECISION 36 (111) AUTHORIZED UP TO \$9 MILLION FOR '78 AND \$4 MILLION IN '79). THE BALANCE FOR 1977 ABOVE INDICATES THAT AT THE PRESENT RATE OF CONTRIBUTIONS UNEP WILL HAVE VERY LITTLE CASH LEFT OVER IN ANY GIVEN YEAR FOR NEW PROGRAM COMMITMENTS.

7. IN PERMREP'S VIEW, IT IS TIME TO URGE UNEP TO ADOPT PROGRAM BUDGETING. AT GC/IV FUND RESOURCES WERE ALLOCATED FOR '76 IN THE AMOUNT OF \$34 MILLION AND FOR '77 IN THE AMOUNT OF \$35.7 MILLION WHEN RESOURCES NOW WHERE NEAR THOSE AMOUNTS EXISTED OR WHERE CONTEMPLATED. WE SHOULD ASK THE EXDIR TO DRAW UP A PROGRAM BUDGET FOR 1978 AND 1979., TAKING INTO ACCOUNT ADVANCED COMMITMENTS FOR EACH YEAR, PROIORITY PROGRAMS WHICH HE WOULD HOPE TO SEE COMMITMENTS MADE FOR IN THOSE YEARS AND INCLUDING HIS RECOMMENDATION FOR THE LEVEL OF CONTRIBUTION NECESSARY TO SUPPORT VARIOUS PROGRAMS AT DIFFERENT LEVELS. IT WOULD BE UP TO THE GOVERNING COUNCIL TO DETERMINE AT WHICH LEVEL CONTRIBUTIONS FOR THE ENSUING YEARS SHOULD BE MADE.

MARSHALL

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Message Attributes

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